

**STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION**

**COMPLIANCE EXAMINATION**

For the Two Years Ended June 30, 2006

STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2006

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STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2006

AGENCY OFFICIALS

Executive Director (12/04 to 08/05)

Debbie Lounsberry

Executive Director (02/06 to Current)

Kevin Steelman

Commission Members as of June 30, 2006:

James F Clayborne, Jr.

Terry Link

William Peterson

Todd Sieben

Gary Hannig

Patricia Lindner

Larry McKeon

Brent Hassert

Agency office is located at:

420 Stratton Building  
Springfield, Illinois 62706

Senator Todd Sieben  
Senator James Clayborne  
Senator Terry Link  
ator William Peterson



Representative Gary Hannig, Chairman  
Representative Brent Hassert  
Representative Patricia Lindner  
Representative Larry McKeon

EXECUTIVE DIRECTOR:  
Kevin Steelman

## LEGISLATIVE ETHICS COMMISSION

420 Stratton Building, Springfield, IL 62706  
Phone: (217) 558-1561  
Fax: (217) 557-0505

### MANAGEMENT ASSERTION LETTER

Honorable William G. Holland  
Auditor General  
Iles Park Plaza  
740 E. Ash  
Springfield, IL 62703-3154

September 22, 2006

Ladies and Gentlemen:

We are responsible for the identification of and compliance with all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Legislative Ethics Commission (Commission). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the two-year period ended June 30, 2006. Based on this evaluation, we assert that during the years ended June 30, 2005 and June 30, 2006, the Commission has materially complied with the assertions below.

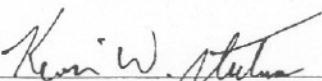
- A. The Commission has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Commission has complied, in all material respects, with applicable laws and

regulations, including the State uniform accounting system, in its financial and fiscal operations.

- D. The State revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Legislative Ethics Commission

  
(Kevin Steelman, Executive Director)

STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2006

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**AUDITORS' REPORT**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>This Report</u>	<u>Prior Report*</u>
Findings	0	N/A
Repeated findings	N/A	N/A
Prior recommendations implemented or not repeated	N/A	N/A

\* This is the first examination of the Legislative Ethics Commission.

**SCHEDULE OF FINDINGS**

The Legislative Ethics Commission did not have any current year findings.

**EXIT CONFERENCE**

The Commission waived a formal exit conference in a letter dated December 19, 2006.

SPRINGFIELD OFFICE:

ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046

FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:

MICHAEL A. BILANDIC BLDG. • SUITE 5-900  
160 NORTH LASALLE • 60601-3103  
PHONE: 312/814-4000  
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL

WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois, Legislative Ethics Commission's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2006. The management of the State of Illinois, Legislative Ethics Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Legislative Ethics Commission's compliance based on our examination.

- A. The State of Illinois, Legislative Ethics Commission has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Legislative Ethics Commission has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The State of Illinois, Legislative Ethics Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the State of Illinois, Legislative Ethics Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the State of Illinois, Legislative Ethics Commission on behalf of the State or held in trust by the State of Illinois, Legislative Ethics Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Legislative Ethics Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois Legislative Ethics Commission's compliance with specified requirements.

In our opinion, the State of Illinois, Legislative Ethics Commission complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2006. The results of our procedures disclosed no instances of noncompliance with those requirements, which would be required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which would be described in the accompanying schedule of State findings. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.

### **Internal Control**

The management of the State of Illinois, Legislative Ethics Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois Legislative Ethics Commission's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

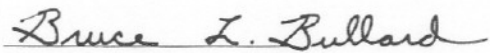
Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. The results of our procedures did not disclose matters involving internal control which would be required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and would be described in the accompanying schedule of State findings. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter.



### Supplementary Information for State Compliance Purposes

Our examination was conducted for the purposes of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2005 and 2006 Supplementary Information for State Purposes, except for information on Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.



Bruce L. Bullard, CPA

Director of Financial and Compliance Audits

September 22, 2006

STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2006

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplemental Information for State Compliance Purposes presented in this section of the examination includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Lapse Period Spending

- Analysis of Operations:

- Agency Functions and Planning Program
- Average Number of Employees
- Service Efforts and Accomplishments (Not Examined)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2005 and 2006 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

STATE OF ILLINOIS  
 LEGISLATIVE ETHICS COMMISSION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
 For the Fiscal Year Ended June 30, 2006

P.A. 94-0015 Fiscal Year 2006	Appropriations (Net after Transfers)	Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total	
				Expenditures 14 Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001 Ordinary and Contingent Expenses of the Commission and the Office of Legislative Inspector General	\$ 315,000	\$ 67,237	\$ 4,278	\$ 71,515	\$ 243,485
Total Fiscal Year 2006	<u>\$ 315,000</u>	<u>\$ 67,237</u>	<u>\$ 4,278</u>	<u>\$ 71,515</u>	<u>\$ 243,485</u>

Note 1: Appropriation, expenditures, and lapsed balances were obtained from Comptroller records and have been reconciled to the records of the Commission.

Note 2: The Legislative Inspector General and the Legislative Ethics Commission share an appropriation and expenditure data. In fiscal year 2006, both entities were reported under the Legislative Ethics Commission's agency code and in fiscal year 2005 both entities were reported under the Legislative Inspector General's agency code. Therefore, the fiscal year 2005 appropriation, expenditures, and lapsed balances are reported in the Compliance Attestation Engagement report for the Legislative Inspector General.

STATE OF ILLINOIS  
 LEGISLATIVE ETHICS COMMISSION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES,  
 AND LAPSED BALANCES**  
 For the Fiscal Years Ended June 30,

	Fiscal Year	
	2006	2005
General Revenue Fund - 001	P.A. 94-0015	
Appropriations (Net After Transfers)	\$ 315,000	\$ 0
<u>Expenditures</u>		
Ordinary and Contingent Expenses of the Commission and the Office of Legislative Inspector General	\$ 71,515	\$ 0
Lapsed Balances	<u>\$ 243,485</u>	<u>\$ 0</u>

Note: The Commission and the Office of the Legislative Inspector General share an appropriation and expenditure data. In fiscal year 2005 both entities were reported under the Office of the Legislative Inspector General's agency code and in fiscal year 2006 both entities were reported under the Commission's agency code. See the Analysis of Significant Variations in Expenditures to see a comparison of expenditures in total and by detailed object code (pg. 13 of this report).

STATE OF ILLINOIS  
 LEGISLATIVE ETHICS COMMISSION  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
 For the Two Years Ended June 30, 2006

	Equipment*
Balance at July 1, 2004	\$ -
Additions	-
Deletions	-
Net Transfers	16,280
Balance at June 30, 2005	\$ 16,280
Balance at July 1, 2005	\$ 16,280
Additions	-
Deletions	-
Net Transfers	-
Balance at June 30, 2006	\$ 16,280

\* During FY05, equipment was purchased under the Office of the Legislative Inspector General's appropriation, however immediately transferred to the control of the Commission. Per Interagency Agreement, the Office of the Legislative Inspector General will use the Commission's equipment as needed.

Note: The above schedule has been derived from Agency records which have been reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS**  
For the Two Years Ended June 30, 2006

There were no cash receipts during the engagement period

STATE OF ILLINOIS  
 LEGISLATIVE ETHICS COMMISSION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
 For the Two Years Ended June 30, 2006

<u>GENERAL REVENUE FUND – 001</u>	<u>2006</u>		<u>2005</u>
Personal Services	\$ 57,595		\$ 68,953
State Contribution to State Employees' Retirement System	87		379
Contractual Payroll Employees	0	(A)	4,500
Employee Retirement Contributions Paid by Employer	3,503	(B)	11,106
State Contribution to Social Security	4,400		5,233
State Contribution to Social Security-Contractual Employees	0		344
Contractual Services	1,356		1,006
Travel	1,489		1,968
Printing	0	(C)	716
Commodities	30	(D)	1,001
Equipment	0	(E)	3,173
Telecommunications	<u>3,055</u>		<u>3,671</u>
Total General Revenue Fund Expenditures	<u>\$ 71,515</u>		<u>\$102,050</u>

Explanations of significant variations in expenditures (fluctuations of 20% and \$500) for the two years ended June 30, 2006 are represented below:

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- (A), (B) The decreases in personal service expenditures in FY06 was due to the Office of the Legislative Inspector General hiring a contractual employee during FY05, yet the contractual employee was not needed in FY06. In addition, the Executive Director position of the Legislative Ethics Commission was vacant for a period of time during FY06.
- (C), (D), (E) The decrease in expenditures in FY06 was due to the additional expenses associated with the initial start-up costs to establish the Office of the Legislative Inspector General and the Legislative Ethics Commission that were incurred in FY05 while FY06 only included normal operating costs.

Note: The Commission shared an appropriation with the Office of the Legislative Inspector General during FY05 and FY06. The above variations include both the Office of the Legislative Inspector General's expenditures and the Commission's expenditures.

STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2006

There was no significant lapse period spending in fiscal year 2006.

Note: The Commission shared an appropriation with the Office of the Legislative Inspector General during FY05 and FY06. To see the FY05 analysis of significant lapse period spending see the Compliance Attestation Report of the Office of the Legislative Inspector General.



STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
**AGENCY FUNCTIONS AND PLANNING PROGRAM**  
For the Two Years Ended June 30, 2006

**FUNCTIONS**

The Legislative Ethics Commission (Commission) was created in December 2003 by the State Officials and Employees Ethics Act (Act) (5 ILCS 430/et seq.). The Commission consists of 8 commissioners appointed 2 each by the President and Minority Leader of the Senate and the Speaker and Minority Leader of the House of Representatives. The Executive Director of the Legislative Ethics Commission is appointed by the Commission and subject to approval of at least 3 of the 4 legislative leaders.

The jurisdiction of the Commission extends to members of the General Assembly and all state employees whose ultimate jurisdictional authority is a legislative leader, the Senate Operations Commission or the Joint Committee on Legislative Support Services.

The State Officials and Employees Ethics Act states the Legislative Ethics Commission shall have the following duties:

- To promulgate rules governing the performance of its duties and the exercise of its powers and governing the investigations of the Legislative Inspector General.
- To conduct administrative hearings and rule on matters brought before the Commission only upon the receipt of pleadings filed by the Legislative Inspector General and not upon its own prerogative.
- Any other allegations of misconduct received by the Commission from a person other than the Legislative Inspector General shall be referred to the Office of the Legislative Inspector General.
- To prepare and publish manuals and guides and, working with the Office of the Attorney General, oversee training of employees under its jurisdiction that explains their duties.
- To prepare public information materials to facilitate compliance, implementation, and enforcement of the Act.
- To submit reports as required by the Act.
- To the extent authorized by the Act, to make rulings, issue recommendations, and impose administrative fines, if appropriate, in connection with the implementation and interpretation of the Act. The powers and duties of the Commission are limited to matters clearly within the purview of the Act.

STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
**AGENCY FUNCTIONS AND PLANNING PROGRAM**  
For the Two Years Ended June 30, 2006

**FUNCTIONS (Continued)**

- To issue subpoenas with respect to matters pending before the Commission to compel the attendance of witnesses for purposes of testimony and the production of documents and other items for inspection and copying.
  
- To appoint special Legislative Inspectors General.

**PLANNING PROGRAM**

The Commission is an investigative body with its powers and duties detailed in the State Officials and Employees Ethics Act. As a result, the Commission does not have formal written goals and objectives, but instead operates to fulfill the statutory responsibilities in a timely and efficient manner.

The Commission's Operating Rules and the Commission's Personnel Manual help implement and communicate the responsibilities set forth in the State Officials and Employees Ethics Act.

**AUDITOR'S ASSESSMENT**

The Legislative Ethics Commission's planning program appears adequate for meeting its statutorily defined functions.

STATE OF ILLINOIS  
LEGISLATIVE ETHICS COMMISSION  
**AVERAGE NUMBER OF EMPLOYEES**  
For the Two Years Ended June 30, 2006

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Agency records, presents the average number of employees for the Fiscal Years ended June 30,

<u>Division</u>	<u>2006</u>	<u>2005</u>
Executive Director	1	1
	<hr/>	<hr/>
Total average employees *	<u>1</u>	<u>1</u>

\* The Executive Director is a part time employee.

STATE OF ILLINOIS  
 LEGISLATIVE ETHICS COMMISSION  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
 For the Two Years Ended June 30, 2006  
 (Not Examined)

The Legislative Ethics Commission (Commission) established a website for State employees and the general public. This website outlines information about the Office, including its history, legislative authority, and purpose. In addition, the website provides contact information for the Office.

Pursuant to the State Officials and Employees Ethics Act (5 ILCS 430), the Commission receives quarterly reports summarizing investigation activity from the Office of the Legislative Inspector General. Listed below is a compilation of allegation and investigation information reported to the Commission for fiscal years 2005 and 2006.

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2006</u>
Number of allegations received	12	10
Number of investigations initiated	12	10
Number of investigations concluded	12	10
Number of total open investigations	0	0

There were no pleadings filed in FY05 and one pleading filed in FY06 with the Commission by the Legislative Inspector General. Accordingly, the Commission had one matter in which to conduct an administrative hearing and give a ruling.